

Needs Analysis for Community Facilities



This section describes the needs for City investments in community facilities. It describes the public benefits of community facilities investments and the types of projects that are anticipated in the future.

In the past four years 63 agencies with facilities in Seattle have requested over \$12 million in financing from the City, against a cumulative budget of \$4.6 million. These financing requests were for capital improvement and real estate acquisition projects by non-profit social service agencies to improve the operational efficiency or effectiveness of direct service space or to increase service capacity.

In recent years the average number of requests for funding during the annual Request for Proposals process by the Community Facilities Loan Program was sixteen per year. With budgeted resources the City has been able to fund on average seven projects per year during the past four years. In the most recently completed Request for Proposals process in 2003, four projects were funded out of the thirteen that applied for funding. Over the past twelve years the City has been able to provide \$15 million in financing to ninety-five such projects through the Community Facilities Loan Program.

The average request has recently been approximately \$196,000 and the average award was \$159,000. To finance a loan of \$160,000 on the commercial market would cost agencies approximately \$250,000 to \$280,000 in principal and interest payments, depending upon

underlying interest rate (around 6.5%) and loan term (fifteen to twenty year maturity) assumptions. These represent real savings for agencies as a result of the Facilities Loan Program since the City's loans carry no interest payments.

Historically, Community Facilities Loan funds have comprised an average of 15% of a project's overall costs. In the past four years, the City's \$4.6 million has therefore leveraged approximately \$26.1 million in private financing and fundraising to assist projects costing a combined \$30 million. Included in the private financing and fundraising category are corporate donations, private bank financing, private and public foundation grants, and individual gifts.

The need for a source of funds for capital improvements for non-profit organizations was highlighted in a report by The Bush Foundation¹ (St. Paul, MN) in 2002. Quoting the study,

... many human services organizations do not address their capital needs; of necessity, they focus their energies – and limited budgets – on the services they provide rather than on the condition of the facilities they occupy. The lack of attention to facilities and other capital needs can hamper services for clients, working conditions for staff, and effective operating systems.²

This lack of attention to facility needs and inadequate budgeting for capital expenditures leads to frequent and costly emergency repairs. For those agencies with revenues of less than \$1 million, the impacts of deferred or inadequate maintenance also include frequent moves and disruptions to their programs.³

In the Spring of 2003 the Facilities Loan Program conducted a non-random survey of 131 social services agencies, some of whom had requested funds in the past and others that never requested funds. All agencies surveyed are based in Seattle. The list of agencies surveyed was compiled from a number of different Human Services Department mailing lists including child care providers, food banks, and providers of services to homeless persons. The combined list was further winnowed down to exclude, at that time, known non-CDBG eligible providers such as primarily religious institutions and private providers. A total of forty-nine agencies responded representing a return rate of 37%.

Of the forty-nine agencies responding, forty-five indicated plans for facilities improvements over the next five years. This is equivalent to 34% of the original 131.

¹ *Building Stronger Organizations: The Impact of Capital Projects – Lessons for Human Services Agencies and Their Funders*, The Bush Foundation, St. Paul, MN, 2002.

² Ibid., p. 7.

³ Ibid., p. 8.

The 45 agencies represent the following service areas:

Service Area	#
Child Care	4
Health Services	4
Senior Services	3
Homeless Services	10
Food / Meal Programs	7
Multiple Services*	13
Domestic Violence	1
Employment	3

*Multiple Services include facilities such as El Centro de la Raza and Asian Counseling and Referral Services, which provide a number of services in one facility.

The types of projects desired or needed can be categorized into three types (duplicated count, as in several situations renovating existing space also entails adding space):

- A. Twenty-two plan to reconfigure and/or renovate their existing space
- B. Sixteen expressed a desire or a need to vacate their current space and move
- C. Fourteen would like to expand their current space

Of more significance than indicating facilities needs, twenty-two agencies took serious steps and financial investments toward developing a plan or program to meet those needs. These agencies reported having hired some form of external professional assistance (architect, development consultant, capital campaign consultant) to help them in their plans for facility improvements. Three additional agencies have reported beginning fundraising or capital campaign plans. This represents a total of twenty-five agencies showing serious intent to do facilities improvement projects in the next several years.

Fourteen agencies provided estimates of their anticipated project costs. These costs were derived in a number of ways, so care must be taken not to put too much weight into them. The sources range from rough guesses to estimates from architects to estimates from contractors. The costs range from a high of \$16 million (purchase land and the construction of a new building) to a low of \$650,000 (interior improvements to a child care center). The median cost is \$2.4 million. Eliminating the \$16 million project, the average cost of the remaining 13 projects is \$3 million.

All but one of the twenty-five “serious” projects responded that they would seek funding from local government sources. The one that did not respond to local government funding is based in a primarily religious institution. If the average request for funding is consistent with previous years, then over the next several years we can expect a minimum demand on the program to be \$4.8 million (24 times \$200,000).

Additional demand for Community Facilities funding could come from nine other agencies that, while they had not yet established capital campaigns or hired professional help, did indicate that they would seek funding from local governmental sources.

While not part of the survey, recently at least five community facilities projects have inquired of funding because of “forced move” situations – situations where the agency had to move its direct services location because the landlord did not renew their lease (in situations that were not about the cost of the rent) or because the landlord had plans to demolish the existing structure.

Local government funding is also desired by many non-profit agencies because City support is used as leverage for their private fund-raising efforts. Representatives from both foundations and agencies have said that the City’s funding represents a stamp of “legitimacy” on the project that is valuable for their private fundraising efforts.

In the survey of the community’s needs done for this Consolidated Plan, the activity of “Build and improve health centers, child care centers, and community centers” was ranked seventh overall out of the ten activities mentioned. (It ranked fifth for respondents in the 0-30% of median income range.) While a ranking of seventh out of ten may seem low, it should be noted that the first six more highly-prioritized activity areas, such as employment and affordable housing, receive other dedicated local, state, or federal funding. The jobs and employment system received in the last four years over \$13 million in non-Consolidated Plan funds from the City alone. Affordable housing, homeless services, and services for older adults each received over \$30 million in non-Consolidated Plan funds in the last four years from the City. During that same period, funding for social services facilities have relied solely Community Development Block Grant funding.

A review of current projects is illustrative of the public benefits gained by municipal investments in community facilities:

- Denise Louie Educational Center is facing eviction from their current Beacon Hill location. City financing will help relocate and preserve ninety-six slots of affordable child care for low-income families.
- The Compass Center Hygiene Center for homeless persons will provide showers and laundry facilities for up to 6,000 homeless persons annually. The facility is currently operating out of a temporary trailer while the actual site is renovated and repaired. The facility suffered major damage from the February 2001 earthquake. City financing for the new configuration of the hygiene center will allow the agency to serve more people more efficiently.
- Southeast Youth and Family Services received financing to renovate their service offices in Southeast Seattle so that they may serve their 400-plus clients more effectively and efficiently.

The Bush Foundation study reviewed capital improvement projects at 121 non-profit organizations. The study found that “[n]early all of the human services agencies interviewed and surveyed . . . said their capital [project strengthened their organization and resulted in better service for clients. Over three-quarters of the agencies said the project had a positive impact on their neighborhood.”⁴

⁴ Ibid., , p. 2.

The benefits listed for clients included:

- Better service
- Addition of new services
- Additional clients served
- Improved client attitudes

Benefits for the organizations included:

- Increased effectiveness
- Greater financial stability
- Lower building operating costs
- Improved staff morale
- Increased funding potential and broader donor base
- Greater internal cooperation
- Catalyst for organizational change

In the Spring of 2004 the Community Facilities Loan Program reviewed an effort implemented in 2003 to make capital funds more accessible for smaller or less-capacity agencies, namely, those with smaller budgets or very few professional staff. Typically these agencies also serve refugee and immigrant populations in Seattle. Our analysis found that many agencies were in need of increased technical assistance to truly take advantage of not only the City's funds but foundation and other private funds available for capital improvements.

Assistance is needed not only in financing projects but in managing them as well. This need for technical assistance was also noted in the Bush Foundation study:

Because capital projects are infrequent, staff rarely have the necessary technical knowledge and experience; sometimes they lack enough knowledge to know they need assistance. In addition, effective project planning and management is time-consuming and can divert an agency's attention from its mission and clients.⁵

This role of providing technical assistance is an increasing one for project managers in the Loan Program. Over the recent years, project managers are spending more time assisting agencies in working through financing, construction, and property-related issues than before. Many times agencies are not aware of issues around title insurance requirements, subordination agreements amongst various funders, federal procurement requirements, and construction contracting. As more agencies face the need for capital improvements, it is anticipated that the need for technical assistance of this nature will increase.

⁵ Ibid., p. 3